

Financial Statements of
(Expressed in US dollars)

WORLD FEDERATION OF HEMOPHILIA USA

Year ended December 31, 2019

WORLD FEDERATION OF HEMOPHILIA USA

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(Expressed in US dollars)

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INDEPENDENT AUDITORS' REPORT

To the Members of World Federation of Hemophilia USA

Opinion

We have audited the financial statements of World Federation of Hemophilia USA (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of revenues and expenses for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP**

Montréal, Canada

July 21, 2020

WORLD FEDERATION OF HEMOPHILIA USA

Statement of Financial Position
(Expressed in US dollars)

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash (note 2)	\$ 655,647	\$ 528,390
Accounts receivable (note 5)	33,411	37,790
Accounts receivable from the affiliated organization, World Federation of Hemophilia (note 5)	19,490	25,225
Prepaid expenses	—	304
	<u>708,548</u>	<u>591,709</u>
Investments (note 2)	569,058	457,292
	<u>\$ 1,277,606</u>	<u>\$ 1,049,001</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,716	\$ 1,837
Accounts payable to the affiliated organization, World Federation of Hemophilia	84,928	78,330
Deferred contributions (note 3)	349,914	254,234
Deferred investment income (note 4)	90,773	24,689
	<u>527,331</u>	<u>359,090</u>
Net assets (note 5):		
Unrestricted net assets	252,390	241,750
Net assets restricted for endowment purposes	497,885	448,161
	<u>750,275</u>	<u>689,911</u>
Subsequent event (note 10)		
	<u>\$ 1,277,606</u>	<u>\$ 1,049,001</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

WORLD FEDERATION OF HEMOPHILIA USA

Statement of Revenues and Expenses
(Expressed in US dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Donations	\$ 86,676	\$ 87,398
Chapters - HTC contributions	133,741	125,848
Contributions - Joint Programs (note 7(b))	2,333,930	1,567,348
	<u>2,554,347</u>	<u>1,780,594</u>
Product donations (note 6)	437,273,143	378,794,777
	<u>439,827,490</u>	<u>380,575,371</u>
Expenses:		
Joint Programs:		
Humanitarian aid program	1,678,930	1,089,348
Training and education program	570,000	400,000
Research program	85,000	78,000
	<u>2,333,930</u>	<u>1,567,348</u>
Value of product donations	437,273,143	378,794,777
Awareness building	46,995	67,297
Fundraising	84,461	71,437
Administration	78,321	65,381
	<u>439,816,850</u>	<u>380,566,240</u>
Excess of revenues over expenses	\$ 10,640	\$ 9,131

See accompanying notes to financial statements.

WORLD FEDERATION OF HEMOPHILIA USA

Statement of Changes in Net Assets
(Expressed in US dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Unrestricted net assets, beginning of year	\$ 241,750	\$ 232,619
Excess of revenues over expenses	10,640	9,131
Unrestricted net assets, end of year	\$ 252,390	\$ 241,750
Amount allocated to net assets restricted for endowment purposes (note 5)	\$ 497,885	\$ 448,161

See accompanying notes to financial statements.

WORLD FEDERATION OF HEMOPHILIA USA

Statement of Cash Flows
(Expressed in US dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Excess of revenues over expenses	\$ 10,640	\$ 9,131
Changes in non-cash working capital items (note 9)	13,504	(304,005)
Increase in deferred investment income	10,066	13,024
Increase in deferred contributions	95,680	69,630
	<u>129,890</u>	<u>(212,220)</u>
Financing:		
Donations to restricted endowment fund, net of the SSMF scholarship disbursement amounting to nil (2018 - \$7,433)	45,591	35,866
Investing:		
Acquisition of investments	(77,141)	(61,528)
Proceeds from disposal of investments	28,917	4,854
	<u>(48,224)</u>	<u>(56,674)</u>
Increase (decrease) in cash	127,257	(233,028)
Cash, beginning of year	528,390	761,418
Cash, end of year	<u>\$ 655,647</u>	<u>\$ 528,390</u>
Supplemental information related to cash flows:		
Variation in unrealized gain (loss) on investments included in deferred investment income	\$ 56,115	\$ (29,680)
Loss on disposal of investments included in deferred investment income	(97)	(129)
Donations to restricted endowment fund included in accounts receivable	19,500	17,066
Donations to restricted endowment fund included in account receivable from the affiliated organization, World Federation of Hemophilia	100	5,925
Donations in kind to restricted endowment fund	7,524	4,983

See accompanying notes to financial statements.

WORLD FEDERATION OF HEMOPHILIA USA

Notes to Financial Statements
(Expressed in US dollars, except as otherwise stated)

Year ended December 31, 2019

World Federation of Hemophilia USA ("WFH USA") was incorporated as a not-for-profit corporation in the State of New York on April 29, 1996. WFH USA is organized exclusively for charitable, educational and scientific purposes, and is qualified as a tax-exempt organization under Section 501(c) (3) of the US *Internal Revenue Code*.

The specific purpose of WFH USA is to advance the global mission of the World Federation of Hemophilia ("WFH") within the United States to improve and sustain care for people with inherited bleeding disorders around the world. As part of its activities, WFH USA receives product donations in the form of medicine from US-based pharmaceutical companies, treatment centers and homecare companies, and distributes these products to national member organizations ("NMOs") of the WFH and health organizations located around the world.

WFH USA is an affiliated organization of WFH, an international organization based in Montréal, Canada, and composed of representatives from hemophilia organizations in 140 countries.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook*.

(a) Revenue recognition:

WFH USA follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or as receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated products are recognized as revenue when received from donors and shipped to beneficiaries, and are recorded at their fair market value if those amounts can be reasonably estimated. Distributions of product donations are recognized as expenses when shipped on behalf of WFH USA to the beneficiaries, or sent directly by donating companies.

Endowment contributions are recognized as direct increases in net assets in the year. Investment income resulting from the contributions, net of investment management fees and change in unrealized losses or gains, is reported on the statement of financial position as deferred investment income, and recognized in the statement of revenues and expenses on the basis of scholarships granted to recipients.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, bank balances less outstanding checks and investments with a maturity period of three months or less when purchased. As at December 31, 2019 and 2018, there were no cash equivalents.

WORLD FEDERATION OF HEMOPHILIA USA

Notes to Financial Statements (continued)
(Expressed in US dollars, except as otherwise stated)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. WFH USA has elected to carry its investments in mutual funds and other investment assets at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value, if any, are deferred and included against deferred investment income. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, WFH USA determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount WFH USA expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Contributed materials and services:

Contributed materials, including product donations, are recognized in the financial statements when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations and would otherwise have been purchased. The fair value is established at the date of receipt.

Contributions of volunteers are not recognized in the financial statements because of the difficulty of determining the fair value of the contributed services.

(e) Deferred contributions:

Deferred contributions represent unspent resources for various approved projects.

(f) Allocation of expenses:

The mission of WFH USA is to advance the global mission of WFH within the United States to improve and sustain care for people with inherited bleeding disorders around the world.

WORLD FEDERATION OF HEMOPHILIA USA

Notes to Financial Statements (continued)
(Expressed in US dollars, except as otherwise stated)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(f) Allocation of expenses (continued):

Costs of personnel and general support expenses are being allocated to the Joint Programs and Awareness building, Fundraising and Administration on the basis of employees' time spent on the particular program, and applied on that basis consistently each year.

(g) Management estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(h) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of operations, except when the transaction is an exchange of a property held for sale in the normal course of operations. When the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

2. Investments:

	2019		2018	
	Book value	Fair value	Book value	Fair value
Cash	\$ 53,129	\$ 53,129	\$ 14,948	\$ 14,948
Money Market Fund	46,484	46,484	29,014	29,014
Bond Fund	161,258	156,459	161,258	154,093
Equity Fund	183,756	229,029	183,756	185,648
Other assets	70,192	83,957	70,192	73,589
Total investments	\$ 514,819	\$ 569,058	\$ 459,168	\$ 457,292

WORLD FEDERATION OF HEMOPHILIA USA

Notes to Financial Statements (continued)
(Expressed in US dollars, except as otherwise stated)

Year ended December 31, 2019

2. Investments (continued):

As at December 31, 2019, included in cash on the statement of financial position is an amount of \$324,820 (2018 - nil) that has been invested in a Money Market account, bearing variable interest, with funds remaining very liquid and available at any time upon WFH USA's cash flow needs.

3. Deferred contributions:

Deferred contributions related to expenses of future years represent unspent externally restricted grants and donations for specific programs. As at December 31, 2019, deferred contributions amount to \$349,914 (2018 - \$254,234) and represent unspent externally restricted donations for the humanitarian aid program and the US Travel Grant Fund.

4. Deferred investment income:

	2019	2018
Deferred investment income, beginning of year	\$ 24,689	\$ 41,474
Restricted income earned during the year on investments held for endowment:		
Variation in unrealized gain (loss)	56,115	(29,680)
Dividend income	14,971	17,599
Interest income	70	20
Realized loss on sale of investments	(97)	(129)
	71,059	(12,190)
Less management fees from investment managers	(4,975)	(4,595)
Deferred investment income, end of year	\$ 90,773	\$ 24,689

WORLD FEDERATION OF HEMOPHILIA USA

Notes to Financial Statements (continued)
(Expressed in US dollars, except as otherwise stated)

Year ended December 31, 2019

5. Net assets:

WFH USA's unrestricted net assets management objectives are to:

- safeguard the ability of WFH USA to continue to support various program expenses;
- fund current and future operations; and
- ensure that WFH USA is able to meet its financial obligations as they become due.

WFH USA's net assets structure as at December 31 is summarized in the following table:

	2019	2018
Net assets:		
Unrestricted	\$ 252,390	\$ 241,750
Externally restricted for endowment purposes	497,885	448,161
	<u>\$ 750,275</u>	<u>\$ 689,911</u>

The externally restricted net assets contain funds received on behalf of the Susan Skinner Memorial Fund ("SSMF"). This endowment fund has been established to support the training and education of women with bleeding disorders. Endowment contributions are a special type of restricted contribution where the externally imposed restriction is that the resources contributed must be maintained permanently. In agreement with the Memorandum of understanding of the SSMF, the Fund shall be managed with the goal of generating enough funds to distribute scholarships while maintaining the long-term viability of the SSMF. The available earnings are presented as deferred investment income on the statement of financial position.

Statements of movements are as follows:

	2019	2018
Beginning of year	\$ 448,161	\$ 392,815
Donations for the SSMF ⁽ⁱ⁾	49,724	62,779
Disbursement of SSMF Scholarships	–	(7,433)
End of year	<u>\$ 497,885</u>	<u>\$ 448,161</u>

⁽ⁱ⁾ Included in the accounts receivable and accounts receivable from the affiliated organization, World Federation of Hemophilia, are donations receivable for the SSMF of \$19,600 (2018 - \$22,991).

WORLD FEDERATION OF HEMOPHILIA USA

Notes to Financial Statements (continued)
(Expressed in US dollars, except as otherwise stated)

Year ended December 31, 2019

6. Product donations:

The Humanitarian Aid Program of WFH provides donations of treatment products to people with bleeding disorders around the world. Donations obtained from US-based companies are distributed by WFH USA and are recorded in the financial statements of WFH USA. Other donations that are not from US-based companies are also recorded in the financial statements of WFH USA unless a Canadian charitable receipt would be requested or there are legal reasons not to channel these donations through WFH USA.

Product donations are priced using the current year's *Red Book*, a reference document used by pharmacists to help them, among other things, determine the pricing of most common drugs. For products not listed in the *Red Book*, WFH USA establishes their prices based on products with similar characteristics listed in the *Red Book*.

7. World Federation of Hemophilia:

(a) Services agreement:

Effective September 9, 2018, WFH USA and WFH signed a Services Agreement whereby the WFH performs various services for WFH USA. As full consideration for the WFH's performance of the services, WFH USA reimburses the WFH for the costs, without any markup, incurred and paid by the WFH in providing the services to WFH USA.

In 2019, the total reimbursements relating to employee salaries and other general expenses amounted to \$236,615 (2018 - \$226,794).

These transactions are measured at the exchange amount, which is the amount of consideration agreed upon by the parties.

(b) Contributions - Joint Programs:

Effective September 9, 2018, WFH USA and the WFH signed a Collaboration Agreement which defines joint and coordinated activities (the "Joint Programs") to support their common charitable goal. The Joint Programs currently include the WFH Humanitarian Aid Program, the WFH Research Program and the WFH Training and Education Program.

As per the Collaboration Agreement, donors may designate contributions to WFH USA solely to be used to financially support the WFH Joint Programs. These donations, less reasonable costs of administration and management incurred by WFH USA, are periodically granted by WFH USA to the WFH as needed to carry out the WFH's responsibilities with respect to the Joint Programs.

WORLD FEDERATION OF HEMOPHILIA USA

Notes to Financial Statements (continued)
(Expressed in US dollars, except as otherwise stated)

Year ended December 31, 2019

7. World Federation of Hemophilia (continued):

(b) Contributions - Joint Programs (continued):

In 2019, the total amount of contributions for the Joint Programs received by WFH USA was \$2,333,930 (2018 - \$1,567,348), of which \$2,228,851 (2018 - \$1,455,600) was allocated to the WFH.

8. Financial risks:

WFH USA manages its investments portfolio to earn investment income, and invests according to its investment policy approved by the Board. WFH USA is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments.

WFH USA is exposed to credit risk and liquidity risk arising from its financial instruments.

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. WFH USA is exposed to credit risk with respect to the accounts receivable. WFH USA assesses, on a continuous basis, these receivables and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Liquidity risk:

Liquidity risk is the risk that WFH USA will be unable to fulfill its obligations on a timely basis or at a reasonable cost. WFH USA manages its liquidity risk by monitoring its operating requirements. WFH USA prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2018.

9. Statement of cash flows:

	2019	2018
Changes in non-cash working capital items:		
Accounts receivable	\$ 6,813	\$ 55,272
Accounts receivable from the affiliated organization, World Federation of Hemophilia	(90)	3,705
Prepaid expenses	304	(59)
Accounts payable and accrued liabilities	(121)	(1,434)
Accounts payable to the affiliated organization, World Federation of Hemophilia	6,598	(361,489)
	\$ 13,504	\$ (304,005)

WORLD FEDERATION OF HEMOPHILIA USA

Notes to Financial Statements (continued)
(Expressed in US dollars, except as otherwise stated)

Year ended December 31, 2019

10. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and investment balances, which may also have a direct impact on WFH USA's operating results and financial position in the future. The situation is dynamic, and the ultimate duration and magnitude of the impact on the economy and the financial effect on WFH USA are not known at this time.